

Freeman Energy Corporation
A GENERAL DYNAMICS COMPANY

Certified Mail #7000 0520 0012 3303 6233

March 9, 2001

Mr. James L. Luckey, III
Plant Manager
AES Duck Creek
17751 North Cilco Road
Canton, IL 61520

Re: Cilco's Notices of Default and Termination

Dear Mr. Luckey:

As you are aware, Cilco first wrote to Freeman on October 24, 2000, concerning alleged defaults under the Coal Supply Agreement ("Agreement") (purportedly outlined in Cilco's Claim Statement of the same date) and Cilco's intention expressed in that letter - and in subsequent correspondence - to terminate the Agreement effective March 24, 2001, if those alleged defaults were not cured.

On December 22, 2000, we wrote to you rejecting your default notice as untimely, insufficient and, without merit. Freeman maintains the positions taken in its earlier correspondence and categorically denies it is now, or ever has been, in default under the Agreement. Without acknowledging the validity of any of Cilco's allegations, and without waiving any of its rights under the Agreement, in accordance with Article XII, Section 2 of the Agreement, Freeman notifies Cilco of the following improvements at the Crown II Mine since the inception of the Claim Period (as that term is defined in Cilco's Claim Statement):

1. Freeman has reduced its union personnel from 193 to 173;
2. Freeman has reduced its company personnel from 43 to 41;
3. Freeman has replaced its shuttle cars with battery ram cars;
4. Freeman has replaced its single miner units with super units;
5. Freeman's ongoing drilling program resulted in the acquisition of nearby coal reserves and Freeman is presently mining in these new reserves;
6. Freeman has replaced the second main east belt line to reduce delays;
7. Freeman completed the construction and installation of a new air-shaft;
8. After the last litigation was concluded, key personnel resumed normal duties.

Again, without acknowledging the validity of Cilco's allegations, the above improvements are further underscored by a comparison of production numbers and cost figures from September, 2000 (the last full month prior to Cilco's termination notice) to February, 2001, as set forth

P.O. Box 4630
Springfield, IL 62708
Tel 217 698-3300
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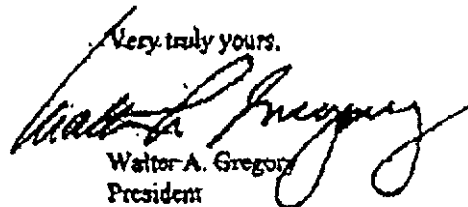
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below:

	September, 2000	February, 2001
Operating Cost Per Clean Ton	\$25.20	\$17.17
Tons Per Day	5984	6549
Clean Tons Per Man Shift	23.56	30.56
Clean Tons Per Machine Shift	959 (Single Miner Units)	1656 (Super Units)
Clean Tons Per Man Hour	2.92	3.77

Although Freeman disagrees with Cilco's allegations of default under the Agreement, in light of the improvements cited in this letter, any such "defaults" have not continued for a period of ninety days after your notice of termination, and thus termination is not permitted, pursuant to Article XII, Section 2 of the Agreement. Furthermore, as evidenced by Cilco's request for termination in the recently concluded arbitration proceeding, the issue of termination is a disputed issue, which must first be submitted to arbitration under Article XV, Section 1 of the Agreement. Accordingly, Freeman requests that Cilco acknowledge, in writing, no later than 5:00 p.m. on March 14, 2001, that it intends to continue accepting and paying for coal from Crown II during the pendency of the arbitration proceeding.

Very truly yours,


Walter A. Gregory
President

WAG:ptg